

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6028**

**BILL NUMBER:** HB 1195

**NOTE PREPARED:** Jan 5, 2014

**BILL AMENDED:**

**SUBJECT:** Personal Property Tax Deduction.

**FIRST AUTHOR:** Rep. Cherry

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides an assessed value deduction to offset the effects of the 30% minimum personal property tax depreciation floor for depreciable personal property or utility distributable property for property newly acquired or installed after the 2014 assessment date.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary* - The total amount of deductions under this bill would be moderate in the beginning, but would grow over time as taxpayers continue to acquire new assets and as those assets depreciate. The total amount of the deductions when fully implemented is not known, but could be significant. An example of the possible impact follows.

Depending on an asset's depreciation life, the true tax value (TTV) percentage in the depreciation schedule for business personal property first dips below 30% in either the 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, or 8<sup>th</sup> year of assessment. Assets purchased after March 1, 2014, but before March 2, 2015, would first be assessed on March 1, 2015, with taxes payable in CY 2016. So, the earliest that the deductions under this bill would begin to apply for some business personal property is for taxes payable in CY 2019. Depending on the federal depreciation of utility assets, the deduction could begin earlier than CY 2019 for utilities.

*Example of Maximum Possible Future Impact:* If, for taxes payable in 2015, a similar deduction were allowed for all assets that currently have a value below the 30% floor but are assessed at the 30% floor, the total deduction would be about \$10.2 B, statewide. Net tax for personal property would decline by an estimated \$229 M. The tax shift to other property would be an estimated \$84 M, the revenue lost to circuit breakers would amount to \$110 M, and the gross levy for rate-controlled funds would be reduced by an estimated \$36 M. The actual long-term maximum fiscal impact of this bill would most likely be something less than this example because the example assumes that all older property would eventually be retired and replaced with property purchased after March 1, 2014. The example also assumes no change in current investment trends.

County-level details of this example appear at the end of this fiscal note.

*Additional Information* - The current Department of Local Government Finance (DLGF) personal property assessment rule specifies a depreciation schedule for business personal property. Most taxpayers list the cost of depreciable property in one of four "pools", based on the declared useful life of the property. Each pool has a different set of depreciation rates for each year of age of the property. The cost of the property is multiplied by the appropriate "percent good" factor in the depreciation schedule to produce the TTV. The total TTV of all of a taxpayer's depreciable property located in the same taxing district must equal at least 30% of the total cost. This is known as the 30% valuation floor.

Utilities, railroads, and rail cars are assessed under different methods. Assessed value is based on federal depreciated value, with an assessment floor equal to 30% of total cost. The total statewide assessed values of these taxpayers are established, subject to the 30% floor, and then are apportioned to various taxing districts.

Taxpayers who own an integrated steel mill or an oil refinery/petrochemical company may elect to use the Pool #5 depreciation schedule. Personal property taxpayers who use Pool #5 are not subject to the 30% floor and would not receive a deduction under this bill. However, these taxpayers could elect to return to the traditional four-pool depreciation schedule if it becomes advantageous to do so.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors; Local civil taxing units and school corporations.

**Information Sources:** LSA property tax database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.

**Estimated Impact of Deduction for Property Under 30%, When Fully Implemented**  
**Based on Estimated Impact of the Elimination of 30% Personal Property Assessment Floor, 2015 Taxes**

County		Net Tax Change After Circuit Breakers			Circuit Breaker Change	Rate-Cntrl Fund Gross Levy Loss
		Personal Property	Real Property	Net Total All Property		
01	Adams	-1,068,670	591,160	-477,510	247,870	235,880
02	Allen	-13,286,120	3,103,270	-10,182,850	7,900,740	1,672,300
03	Bartholomew	-3,570,900	2,005,970	-1,564,930	1,116,660	565,200
04	Benton	-670,780	419,090	-251,690	61,080	190,070
05	Blackford	-699,830	176,550	-523,280	458,230	85,310
06	Boone	-1,033,900	576,930	-456,970	229,210	146,810
07	Brown	-58,450	45,410	-13,040	0	12,060
08	Carroll	-391,220	183,150	-208,070	51,070	65,730
09	Cass	-1,234,340	415,340	-819,000	612,080	204,630
10	Clark	-2,802,370	826,820	-1,975,550	2,007,140	446,050
11	Clay	-389,020	305,340	-83,680	5,610	79,640
12	Clinton	-1,665,150	568,580	-1,096,570	834,100	255,540
13	Crawford	-339,720	79,460	-260,260	207,050	49,420
14	Daviess	-1,085,680	281,230	-804,450	141,250	114,000
15	Dearborn	-1,304,650	767,290	-537,360	317,660	248,790
16	Decatur	-670,160	567,230	-102,930	171,460	189,800
17	DeKalb	-3,383,960	1,899,060	-1,484,900	744,860	882,210
18	Delaware	-2,947,360	609,920	-2,337,440	2,135,280	485,460
19	Dubois	-1,657,780	863,330	-794,450	365,870	377,480
20	Elkhart	-7,784,110	1,889,880	-5,894,230	5,090,730	1,436,850
21	Fayette	-571,030	185,800	-385,230	275,520	106,420
22	Floyd	-1,505,410	937,970	-567,440	443,160	249,130
23	Fountain	-532,730	239,510	-293,220	57,790	77,010
24	Franklin	-254,920	173,990	-80,930	14,960	64,550
25	Fulton	-518,980	396,150	-122,830	25,840	94,840
26	Gibson	-3,384,820	997,440	-2,387,380	624,210	511,810
27	Grant	-3,042,040	1,009,370	-2,032,670	1,603,590	412,610
28	Greene	-420,560	200,520	-220,040	142,800	87,670
29	Hamilton	-5,968,100	2,598,030	-3,370,070	2,720,570	838,420
30	Hancock	-1,745,490	656,820	-1,088,670	560,340	273,700
31	Harrison	-457,270	355,570	-101,700	2,130	95,810
32	Hendricks	-3,312,710	1,098,910	-2,213,800	1,555,220	486,150
33	Henry	-788,430	293,800	-494,630	377,690	133,040
34	Howard	-12,001,340	2,076,890	-9,924,450	8,352,620	1,556,230
35	Huntington	-1,101,000	442,630	-658,370	581,800	177,540
36	Jackson	-1,616,690	942,190	-674,500	273,950	369,480
37	Jasper	-1,275,980	708,230	-567,750	90	531,640
38	Jay	-1,345,130	560,400	-784,730	510,920	243,200
39	Jefferson	-1,824,400	1,023,190	-801,210	533,230	365,090
40	Jennings	-858,160	367,320	-490,840	300,700	145,510
41	Johnson	-3,201,290	1,084,610	-2,116,680	1,690,070	490,590
42	Knox	-976,710	318,080	-658,630	607,660	125,800
43	Kosciusko	-2,307,540	1,483,460	-824,080	375,360	518,130
44	LaGrange	-670,890	486,660	-184,230	124,900	160,350
45	Lake	-14,942,130	6,635,750	-8,306,380	7,823,970	1,623,780
46	LaPorte	-3,348,300	1,977,310	-1,370,990	1,470,070	278,390

**Estimated Impact of Deduction for Property Under 30%, When Fully Implemented  
Based on Estimated Impact of the Elimination of 30% Personal Property Assessment Floor, 2015 Taxes**

County	Net Tax Change After Circuit Breakers			Circuit Breaker Change	Rate-Cntrl Fund Gross Levy Loss
	Personal Property	Real Property	Net Total All Property		
47 Lawrence	-915,360	364,030	-551,330	391,120	176,590
48 Madison	-2,965,280	585,250	-2,380,030	2,378,350	401,980
49 Marion	-41,898,800	8,614,180	-33,284,620	26,627,910	5,374,370
50 Marshall	-1,615,560	844,400	-771,160	595,770	280,290
51 Martin	-276,890	183,080	-93,810	28,180	68,210
52 Miami	-482,510	227,860	-254,650	165,360	96,440
53 Monroe	-1,919,050	1,305,280	-613,770	106,490	326,960
54 Montgomery	-2,277,200	1,181,300	-1,095,900	521,850	430,400
55 Morgan	-617,520	455,250	-162,270	0	221,380
56 Newton	-471,270	323,630	-147,640	58,780	84,520
57 Noble	-1,866,090	1,110,740	-755,350	264,150	273,090
58 Ohio	-35,780	24,210	-11,570	0	11,810
59 Orange	-370,370	330,290	-40,080	33,210	92,200
60 Owen	-227,420	96,710	-130,710	88,480	41,390
61 Parke	-143,000	97,200	-45,800	2,700	46,630
62 Perry	-799,820	146,490	-653,330	186,710	81,380
63 Pike	-809,480	457,610	-351,870	117,830	230,180
64 Porter	-5,140,550	2,625,420	-2,515,130	1,942,740	756,790
65 Posey	-2,839,070	1,288,060	-1,551,010	338,740	1,322,110
66 Pulaski	-179,770	120,850	-58,920	0	59,610
67 Putnam	-784,260	772,600	-11,660	157,090	306,580
68 Randolph	-648,930	286,690	-362,240	271,420	121,580
69 Ripley	-513,280	373,130	-140,150	1,380	137,470
70 Rush	-623,930	243,720	-380,210	202,670	88,250
71 St. Joseph	-11,422,200	4,430,470	-6,991,730	8,175,790	1,465,880
72 Scott	-663,900	328,590	-335,310	136,670	88,720
73 Shelby	-1,551,250	825,960	-725,290	333,380	213,620
74 Spencer	-3,395,740	1,016,580	-2,379,160	57,610	342,100
75 Starke	-374,810	257,420	-117,390	63,110	51,790
76 Steuben	-965,510	708,230	-257,280	88,770	177,160
77 Sullivan	-232,580	136,790	-95,790	38,610	57,040
78 Switzerland	-127,850	82,770	-45,080	360	44,660
79 Tippecanoe	-6,432,500	4,030,290	-2,402,210	2,005,470	1,191,230
80 Tipton	-485,610	266,730	-218,880	145,570	84,450
81 Union	-222,050	136,050	-86,000	32,140	54,560
82 Vanderburgh	-7,160,530	1,568,430	-5,592,100	5,330,510	927,850
83 Vermillion	-967,440	355,780	-611,660	340,580	262,030
84 Vigo	-4,693,550	1,001,930	-3,691,620	2,962,490	831,910
85 Wabash	-677,550	425,040	-252,510	132,960	142,760
86 Warren	-124,540	90,840	-33,700	1,190	33,440
87 Warrick	-1,447,080	971,840	-475,240	148,400	393,450
88 Washington	-539,050	348,080	-190,970	88,920	106,530
89 Wayne	-2,881,940	526,380	-2,355,560	2,161,200	351,710
90 Wells	-529,950	392,440	-137,510	2,950	105,020
91 White	-589,090	395,360	-193,730	74,740	134,310
92 Whitley	-815,350	444,830	-370,520	80,240	149,880
	<b>-228,737,480</b>	<b>84,224,420</b>	<b>-144,513,060</b>	<b>110,629,700</b>	<b>36,000,430</b>